

Para. 9 25X1A

CENTRAL INTELLIGENCE AGENCY	
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8 September 1954

25X1A

Mr. Frederick J. Lawton, President,
War Agencies Employees Protective Association,
F at 6th Street, N. W.,
Washington, D. C.

Dear Mr. Lawton:

25X1A9A

You suggested to us when Mr. White, Mr. [redacted] and I met with you on 2 August 1954 that you would very likely hold a meeting of the Board of Directors of WAEPA some time in the near future, either during early September or October 1954.

In view of that fact, we feel it appropriate to formalize two or three of the major items discussed with you at that time. First of all, we discussed briefly with you our new Group Life Insurance plan which we felt would be more adaptable to our personnel due to its flexibility and comprehensiveness than would be the WAEPA plan. I recall in that regard that you indicated WAEPA had been created originally during war time as an emergency measure to fill an important gap in the covering of Government employees serving outside the continental limits of the United States and that it was never intended that it perpetuate itself or that it become competitive with other insurance organizations in any way. In view of this fact your Directors were giving some thought to either partial or possibly total liquidation of WAEPA at some time in the not far distant future.

It is recalled that you also indicated that your Directors had become somewhat concerned over the size to which your surplus had grown (approximately \$1,100,000) compared to the total number of employees insured under your Master Contract, numbering approximately 5,100.

We suggested to you that we felt in view of the fact that for some time our Group had represented more than 25% of your total membership, which presently has grown to about 10 1/3% of your total membership, serious thought should be given to making a sizeable cash refund to our Group along with your other Groups, especially since during the past three fiscal years our premium payments have represented a gross profit to WAEPA of approximately \$100,000 over and above the death claims paid during that same period of time.

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Since for several years we have had no representation on your Board and have therefore been unable to voice any suggestion as to any Board actions such as an actuarially sound surplus to safely cover your total volume of business, nor could we suggest a continuation of your precedent established during FY 1945 and 1946 of paying cash dividends to members rather than granting additional coverage, the cost of which amounted to only a small portion of the actual dividend paid to you, we are asking that you be good enough to represent us at such time as you have your next Board meeting in presenting these facts to your Board for their consideration.

It is apparent at this writing that a very sizeable amount of our volume of business with you is being continued in addition to the members who are being insured under our new plan as well as under the new "Federal Employees Group Life Insurance Act of 1954". This would appear to bear out the fact that all of these plans of group life insurance are extremely useful in the way of granting additional coverage to Federal employees who are in sore need of adequate protection for their families.

Our thought in this regard therefore, is only one of partial liquidation of the very large surplus presently existing, down to a point which is actuarially sound for future operating but which will at the same time provide a sizeable cash refund to all members of WAEPA who properly merit a distribution in the form of cash of that portion of this large surplus which is truly composed largely of dividends which have not been allocated to them. To this end we have had an actuarial estimate made of the approximate amount of refund which we feel should be forthcoming to members of our Group. This amount roughly approximates \$200,000, which after being made, together with prorated cash dividend refunds to the balance of your members should still leave WAEPA with an actuarially sound reserve of at least \$300,000.

Will you, therefore, as President of WAEPA, kindly place this matter before your Directors at its next Board meeting in order that we may arrange in the near future to provide representation with your General Council in placing this matter in more detailed form before you.

Thanking you for representing us in this regard, I am,

Very truly yours,

Harrison G. Reynolds,
Assistant Director for Personnel.

ESD/ICB/JRE:am/ 9/8/54